

## Message Text

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PAGE 01 NEW DE 16762 171554Z

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ACTION NEA-10

INFO OCT-01 ISO-00 H-01 FBO-02 A-01 RSC-01 L-02 ABF-01

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC IMMEDIATE 5746

INFO AMCONSUL BOMBAY

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E. O. 11652: N/A

TAGS: ABLD, IN

SUBJECT: GENERATOR PROBLEM - LETTER FROM CONGRESSMAN  
POAGE

REF: (A) STATE 273740 (B) STATE 273312

1. I THINK THE ANSWER TO CONGRESSMAN POAGE SHOULD COME FROM ME, IF YOU AGREE, PLEASE TRANSMIT THE FOLLOWING:  
"ASSISTANT SECRETARY HOLTON HAS PASSED ALONG TO ME YOUR LETTER OF DECEMBER 6. I CAN ASSURE YOU THAT THE GOVERNMENT OF INDIA HAS LIVED UP TO EVERY OBLIGATION IT UNDERTOOK UNDER THE RUPEE AGREEMENT. NOTHING UNDER THE PL-480 LAW OR THE RUPEEAGREEMENT ALLOWED US TO USE RUPEES TO BUY IMPORTS. WE ALL CLEARLY UNDERSTOOD THAT OUR RUPEES WERE TO BE USED ONLY WITHIN INDIA. THIS WAS NONE OF MY DOING. THESE WERE THE TERMS OF CONTRACTS

SIGNED, PURSUANT TO LAW, IN THE 1960'S.

"HOWEVER, BECAUSE YOU ASKED, I MANAGED TO GET THE INDIANS TO AGREE TO A ONE-TIME EXCEPTION PERMITTING MY EMBASSY TO PAY FOR TWO EMERGENCY GENERATORS FOR OUR RUPEES. THE GOVERNMENT OF INDIA INSISTED, AND I ACCEPTED AS ONLY FAIR, THAT THESE RUPEESREMAIN IN INDIA AND NOT BE CONVERTED INTO FOREIGN EXCHANGE. THE INDIAN SIDE ALSO INSISTED THAT THE

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PAGE 02 NEW DE 16762 171554Z

RUPEES BE PAID TO AN INDIAN RESIDENT ACTING IN PARTNERSHIP WITH

THE AMERICAN SELLER SO THAT IT COULD MORE EASILY ASSURE THAT THE RUPEES WERE ACTUALLY USED IN INDIA. WE EXPLAINED THESE CONDITIONS TO THE SELLER WHO ASSURED US HE UNDERSTOOD AND ACCEPTED THEM. HOWEVER, THE INDIAN PARTNER HE PICKED TURNED OUT NOT TO BE AN INDIAN RESIDENT AT ALL BUT AN AMERICAN IMMIGRANT WHO OPERATES AN IMPORT-EXPORT BUSINESS IN INDIA AND THE UNITED STATES. THIS CIRCUMSTANCE HAS CAUSED THE GOVERNMENT OF INDIA TO LOOK ON THE WHOLE DEAL WITH CONSIDERABLE SKEPTICISM.

"THE SELLING FIRM THROUGH ITS INDIAN PARTNER AND ITS AIR FREIGHT CONTRACTOR (PAN AVION) SOON ATTEMPTED, IN FLAGRANT DISREGARD OF INDIAN FOREIGN EXCHANGE LAWS, TO CONVERT ALMOST ALL THE RS. 5.2 MILLION INTO DOLLARS TO PAY FOR AIR FREIGHT SHIPMENTS - PARTLY FOR SHIPPING THE GENERATORS BUT MAINLY FOR SHIPMENTS THAT WOULD NEVER TAKE PLACE.

"UNDER THESE CIRCUMSTANCES, I AM NOT SURPRISED THAT THE GOVERNMENT OF INDIA IS BEING VERY SLOW AND STICKY ABOUT RELEASING FUNDS. I THINK WE ARE GOING TO BE ABLE TO GET THE INDIANS TO RELEASE THE FOREIGN EXCHANGE FOR THE LEGITIMATE BILL (RS. 1.1 MILLION) FOR SHIPPING THE GENERATORS. EVEN THIS IS BEYOND WHAT THE GOVERNMENT OF INDIA AGREED TO. THE INDIANS WILL PROBABLY NOT RELEASE THE BALANCE UNTIL THEY ARE SATISFIED THE RUPEES WILL BE USED ONLY IN INDIA. THAT IS GOING TO TAKE SOME DOING. HOW LONG IT WILL TAKE DEPENDS LARGELY ON HOW SECCESFUL THE PRINCIPALS CAN BE IN CONVINCING THE INDIANS THAT THIS TIME THEY WON'T TRY TO HOODWINK THEM.

"MEANWHILE, I THINK WE SHOULD ALL KEEP A CERTAIN DISTANCE FROM THIS ONE. IT IS PROPERLY A MATTER FOR THE SELLER AND THE INDIANS TO SORT OUT. HOWEVER, MY STAFF WILL CONTINUE TO PROVIDE NORMAL COMMERCIAL ASSISTANCE TO PAN AVION. RESPECTFULLY, DANIEL P. MOYNIHAN."

2. PLEASE LET ME KNOW IF YOU SEND THIS.  
MOYNIHAN

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## Message Attributes

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